SCHROEDER, WILKINS, THOMPSON, AND MONKS NOMINATIONS

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF VICTOR A. SCHROEDER, C. HOWARD WILKINS, VICTOR MONTGOMERY THOMPSON, JR., AND ROBERT A. G. MONKS TO BE MEMBERS OF THE BOARD OF DIRECTORS, U.S. SYNTHETIC FUELS CORPORATION

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SCHROEDER, WILKINS, THOMPSON, AND MONKS NOMINATIONS

THURSDAY, SEPTEMBER 10, 1981

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 3110, Dirksen Office Building, Hon. James A. McClure presiding.

Present: Senators McClure, Domenici, Wallop, Warner, Nickles, Heinz, Jackson, and Ford.

Also present: Charles A. Trabandt, chief counsel; E. David Doane, counsel; Gary Ellsworth, counsel; Richard D. Grundy, professional staff member; and D. Michael Harvey, chief counsel for the minority.

OPENING STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

The CHAIRMAN. The committee will come to order.

This hearing is to consider four Presidential nominations to the Board of Directors of the U.S. Synthetic Fuels Corporation. The nominees are Victor A. Schroeder, C. Howard Wilkins, Victor M. Thompson, Jr., and Robert A. G. Monks.

The legislative and programmatic foundations for the Synthetic Fuels Corporation were laid in the Congress and in the executive branch over a 7-year period beginning in 1974 with President Nixon's proposed Project Independence followed by President Ford's 1975 state of the Union message and Vice President Rockefeller's proposal in 1975 for establishment of the Energy Independence Authority.

What was new, during the 96th Congress, was bipartisan congressional support for creation of a special purpose Federal entity that would provide sufficient financial incentives to private industry to expedite commercial development of a synthetic fuel production capability in the United States.

This support, spurred on by the 1979 cutoff of Iranian oil, led to congressional establishment of the Synthetic Fuels Corporation by the enactment on June 30, 1980, of the Energy Security Act. This action represents an unprecedented national commitment to the energy future of the United States.

Following enactment, there developed a basic disagreement between Senate Republican leadership and the Carter White House on how best to proceed with the appointments to the Board of Directors. Consequently, 4 months transpired before the recess appointment of the initial Board of Directors.

Most importantly, 14 months have transpired since enactment of the Energy Security Act. Due to various events, including a national election, the Synthetic Fuels Corporation still is in the throes of initial startup. There has yet to be a Senate confirmed Board of Directors and for the last 7 months there has been no Board of Directors at all.

We have lost valuable time in this effort to increase our national security by reducing the threat of economic disruption from oil supply interruptions. The Synthetic Fuels Corporation was created to demonstrate at the earliest practicable time the practicality of commercial production of synthetic fuels in the United States. That is still our objective.

President Reagan recognized the important role that synthetic fuels must serve as future energy supplies when he recently approved the award of financial assistance to three synthetic fuel projects under the current interim program. His action followed extensive Cabinet review of national synthetic fuel policies.

We must now turn our attention to full implementation and operation of the Synthetic Fuels Corporation. The Energy Security Act concisely sets forth the goals and objectives for the Synthetic Fuels Corporation, as a special purpose Federal entity.

The Congress provided the Corporation with the powers necessary to carry out its defined mission. Similarly, the Congress identified areas in which the Corporation was not to become involved. In some instances, explicit limitations were imposed on the powers and authorities of the Corporation.

During the 4-month period following appointment of the initial Board, steps were taken to organize the Corporation and to set in motion those activities necessary to commence its business activities.

Board actions included adoption of bylaws which among other things made provision for certain officers. The Board also directed publication of the initial set of solicitations of proposals for financial assistance, as required by statute.

In response to this initial solicitation, 63 proposals for financial assistance were received by the Corporation. These include 14 oil shale projects, 17 coal gasification projects, 20 coal liquefaction projects, 9 tar sands or heavy oil projects, 1 coal-oil mixture project, 1 solid fuel additive-from-coal project and 1 hydrogen-from-water project. The proposed projects are located in 26 states.

The Corporation has not been declared by the President to be established and fully operational, pursuant to section 305 of the Defense Production Act. Therefore, the interim fast start programs of the Department of Energy have continued under the Defense Production Act and the Federal Nonnuclear Energy Research and Development Act.

I hope that immediately following confirmation and appointment of the Board of Directors, the Corporation can be declared fully operational.

We must now proceed decisively with full implementation of the Energy Security Act. The events that led up to this confirmation of the Board of Directors must not be allowed to further delay the essential intent of the Congress and indeed this committee when enacting the Energy Security Act.

The standard by which this Board of Directors will and indeed must be judged will be whether there is an expeditious but responsive implementation of the Energy Security Act. This will require the Board to act early on the currently outstanding solicitation and award financial assistance to a diversity of technologies so that national energy policy can benefit from the activities of the Synthetic Fuels Corporation.

This will be the first Board of Directors to be confirmed by the Senate and as such these appointments take on special significance.

Senator Ford, do you have a statement you would like to make?

Senator FORD. Yes, Mr. Chairman.

STATEMENT OF HON. WENDELL H. FORD, A U.S. SENATOR FROM THE STATE OF KENTUCKY

Senator FORD. I thank the chairman for the opportunity and I will be brief because this day already has been too long in arriving.

I understand the reasons as others do for some of the delay in these nominations. I probably would have done the same. I am pleased to see the iron bottom approach to preserving the interest of this committee and the purpose of the Energy Security Act.

I know you will appreciate any like interest that I and others show in the future approval of the two remaining members to the Board of Directors.

Mr. Chairman, I intend to vote for all four nominees unless this hearing brings forth a skeleton with pictures.

The Synthetic Fuels Corporation, after 1 year and 2 months, needs to be activated. The final approval of these four nominees will do just that. A cloud has been cast over the willingness of this administration to participate in any fashion in the development of synthetic fuel. This has been substantiated among our allies by our wholesale pull out on contractural agreements.

Mr. Chairman, this Government cannot concentrate solely on alternative fuels to be put into place after the year 2000, to concentrate solely on a third generation project. That does not address the real problem. Do we make it to the year 2000 or not?

Mr. Chairman, you and other members of this committee have demonstrated your commitment to the synthetic fuels goals of the Energy Security Act. I hope these nominees will do the same.

Questions will develop in the course of this hearing. I would like to pose a few now so that the nominees might be thinking about them and I will ask that all the nominees respond to these questions in their testimony.

Do you believe the U.S. Government has an active role to play in the development of a domestic synthetic fuels program? If so, what is that role?

Are you committed to doing everything you can to effect achievement of the synthetic fuels production goals set out in the Energy Security Act?

Do you believe that these goals can be achieved?

Mr. Chairman, I look forward to hearing answers to these questions and other questions which might be posed to the nominees.

I thank you for the opportunity to make this statement.

The CHAIRMAN. Thank you, Senator Ford.

Senator Warner?

Senator WARNER. No, Mr. Chairman.

The CHAIRMAN. Senator Jackson?

Senator JACKSON. I will defer mine, Mr. Chairman.

The CHAIRMAN. Thank you, Senators.

At this time I am pleased to recognize and welcome a number of our distinguished colleagues who will introduce the nominees.

It would be my intention to ask each of the Senators present to make their introductory statements. We will do that so their opportunity to make a statement will not be held up while we hear the testimony and questioning of the individual nominees.

We have this morning Senator Nunn and Senator Mattingly who will introduce Mr. Schroeder. Senator Dole and Senator Kassebaum who will introduce Mr. Wilkins. Senator Boren and Senator Nickles, a member of our committee, who will introduce Mr. Thompson. Senator Cohen, who is expected, will introduce Mr. Monk.

We will hear first from Senator Nunn. Sam, welcome to the committee. We will be pleased to hear your statement.

STATEMENT OF HON. SAM NUNN, A U.S. SENATOR FROM THE STATE OF GEORGIA

Senator NUNN. Thank you, Mr. Chairman and members of the committee. Let me say in response to Senator Ford that I am not here to present any skeletons and certainly no pictures this morning.

Senator FORD. If the Senator would allow me, I would go a long way before I would vote against these four nominees.

Senator NUNN. Mr. Chairman and members of the committee, it is a distinct pleasure for me to appear before you this morning to introduce one of President Reagan's nominees for the U.S. Synthetic Fuels Corporation's Board of Directors, Mr. Victor A. Schroeder of Atlanta, Ga.

The pronunciation of Schroeder is not southern or Georgian. I understand it was Schroeder even when the nominee was in Oklahoma. That is the interpretation I have of the pronunciation.

I am particularly pleased to introduce Victor and to endorse his nomination because of my complete confidence that he possesses the qualities, capabilities and experience that insure that he will provide strong leadership in this important position of energy development.

Victor was born in Rosedale, Kans. and attended Oklahoma A. & M. College where he excelled in athletics and served his fellow students as class vice president and as a member of the student senate.

Victor's first introduction to the State of Georgia occurred when he entered the U.S. Army's infantry school at Fort Benning, Ga. At Fort Benning, Victor graduated with honors from officer's candidate school and the parachute school. He served with distinction in the U.S. Army and was discharged with the rank of captain.

Victor returned to Georgia in 1957 to manage the development of Lenox Square, the South's first major regional shopping center. Since that time, Victor's professional achievements have included the management of the development and operation of over 7½

million square feet of major regional shopping centers, office buildings, and distribution structures.

He has served as senior vice president for development for the Phipps Land Co. and as manager of development for the Atlanta Apparel Mart and executive director of Peachtree Center. All of these are very large and very successful projects in the Atlanta area.

Mr. Schroeder is married to Kathryne McGivern Schroeder and has raised a family of five children. As a matter of fact, Victor has epitomized an individual who has successfully and continually fulfilled his responsibility as a professional, a family man and as a citizen.

Mr. Chairman, Congress has charged the Synthetic Fuels Corporation with the development of a viable commercial synthetic fuels industry for our Nation. I know of no better career experience for a member of the Corporation's Board of Directors than Victor's lifetime career experience in the commercial real estate development field.

His experience in shepherding projects which are large in size, concept, and design from inception to completion well qualifies him for the job of aiding our Nation's progress toward energy development.

I am confident that the U.S. Synthetic Fuels Corporation will be well served by Victor's tenure on its Board of Directors and I therefore urge the members of this committee and my colleagues in the U.S. Senate, as a whole, to support his confirmation.

The CHAIRMAN. Thank you, Senator Nunn.

Senator Mattingly?

STATEMENT OF HON. MACK MATTINGLY, A U.S. SENATOR FROM THE STATE OF GEORGIA

Senator MATTINGLY. Thank you, Mr. Chairman.

I would also like to endorse what the senior Senator from Georgia has said about Vic Schroeder. I think the last time I was before this committee we were talking about Mr. Ed Noble. I think there was some confusion about where all these people are from. Really, they are all from Georgia. We claim Ed Noble and Vic Schroeder.

I am very happy to nominate him today as we have in the past to the President. I think the one important element that he brings to the Corporation is that he comes from the private sector. I think his past experience in the private sector fits him well for this new position.

I feel for a long time the Government has needed the input from the private sector, strong people from the private sector, which I feel Victor represents.

To reiterate my support for what Senator Nunn has said, I give you my strong endorsement for your support today of Mr. Schroeder for appointment to the Board.

The CHAIRMAN. Thank you very much.

Senator Nunn and Senator Mattingly, thank you for appearing before us today.

Introducing Mr. C. Howard Wilkins of Kansas is the senior Senator from Kansas, the distinguished chairman of the Finance Committee, Bob Dole. We welcome you to the committee.

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE STATE OF KANSAS

Senator DOLE. We are very happy to be here, I and Senator Kassebaum. I also want to recognize Mr. Schroeder having been born in Rosedale, Kans., and having gone to Fort Benning, I think he must be an outstanding person.

The CHAIRMAN. You chased him out of Kansas.

Senator DOLE. The war did.

I want to thank Senator Heinz for his direct input in this nomination and his very effective support for the nominee and also Senator Packwood and others who had an interest in Howard Wilkins.

It is certainly a pleasure for me to be here this morning to introduce a fellow Kansan of outstanding character and accomplishment and who happens to be a very good friend of mine and I hope that does not cause him any problems in this committee.

Howard has an enviable record of achievement and success. Beginning in sales two decades ago, he combined hard work, sharp intelligence, and experience to help found and direct a restaurant business that grew into a large national chain providing jobs for thousands of people and service to millions.

His success is a story of the opportunity, initiative, and innovation characteristic of America at her best.

In addition to these interests, Howard has been an active participant in Kansas civic and community affairs and he is a member of the Yale University Class Council, Yale Alumni Fund and the Young President's Organization. From 1974 to 1978, he was chairman of the Economic Development Commission for the State of Kansas, during which time Kansas ranked fourth in the Nation in new jobs created and had one of the lowest unemployment rates in the country.

At present, he is serving as finance chairman of the Republican Senatorial Campaign Committee.

In my opinion Howard is precisely the type of individual we need to involve in the operations of government. He is young, aggressive, and he has a lot of ideas and I am very pleased to be here this morning with my colleague to support his nomination.

I thank the Chairman. I ask that my entire statement be made a part of the record.

The CHAIRMAN. Without objection, it is so ordered.

[The prepared statement of Senator Dole follows:]

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE STATE OF KANSAS

Mr. Chairman, members of the committee, it is a pleasure for me to come here this morning to introduce to you a fellow Kansan of outstanding character and accomplishment, and my very good friend, Howard Wilkins.

Howard has an enviable record of achievement and success. Beginning in sales two decades ago, he combined hard work, sharp intelligence, and experience to help found and direct a restaurant business that grew into a large national chain, providing jobs for thousands of people and service to millions. His success is a story of the opportunity, initiative, and innovation characteristic of America at her best.

In addition to his business interests, Howard has been an active participant in Kansas civic and community affairs and he is a member of the Yale University Class Council, Yale Alumni Fund, and The Young President's Organization. From 1974-78 he was chairman of the Economic Development Commission for the State of Kansas, during which time Kansas ranked fourth in the Nation in new jobs created

and had one of the lowest unemployment rates in the country. At present, Howard is serving as finance chairman of the Republican Senatorial Campaign Committee.

In my opinion, Howard is precisely the type of individual we need to involve in the operations of Government. He is young, aggressive, innovative, and successful. So it is with full endorsement and no reservations that I commend to your consideration the nomination of C. Howard Wilkins to be a director of the United States Snythetic Fuels Corporation. I urge his speedy confirmation in the sure knowledge that he will truly and well serve the Corporation and our country.

The CHAIRMAN. Senator Kassebaum, we welcome you to our committee.

STATEMENT OF HON. NANCY LANDON KASSEBAUM, A U.S. SENATOR FROM THE STATE OF KANSAS

Senator KASSEBAUM. Thank you, Mr. Chairman. It is a pleasure for me to be here to speak on behalf of Howard Wilkins from Wichita, Kans., and also I think to share with you the recognition of the importance of this position.

It was more than a year ago that Senate bill 932 was signed into law. This legislation authorizes $20 billion to be allocated to private industry by the Synthetic Fuels Corporation. To highlight the importance of the Corporation's functions, the legislation directs it to stimulate the production of 2 million barrels a day of synfuels by 1992, by investing Federal funds through loans, loan guarantees, and price guarantees.

Mr. Chairman, if we can continue to reduce our imports of oil through conservation and other means, which certainly your committee has been working hard and long on, the development of this much energy could result in the elimination of our dependence on foreign suppliers.

The benefits of such an occurrence are as obvious as the drawbacks of our current dilemma.

The members of the Synthetic Fuels Corporation do not have an easy job ahead. They must not only determine which of the many worthy projects that will be placed before them are the most likely to produce the best return but they must also decide which projects can succeed only with government support and which ones the private sector can handle on its own. This is a large assignment.

I am confident, Mr. Chairman, with the leadership of people like Howard Wilkins, the synthetic fuels program will help us toward our goal of energy self-sufficiency. I urge this committee and the full Senate to approve the nomination of Mr. Wilkins without delay and the other nominees for the Synthetic Fuels Corporation.

Thank you.

The CHAIRMAN. Thank you very much. I thank both Senators from Kansas for their appearance this morning.

Senator Boren will introduce Mr. Victor Thompson.

STATEMENT OF HON. DAVID L. BOREN, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator BOREN. Thank you, Mr. Chairman and distinguished members of the committee. I am very pleased to be able to be here this morning and join with my colleague, Senator Don Nickles, in introducing my good friend and fellow Oklahoman, Victor M. Thompson, Jr., who has also been nominated by the President to be a Director of the U.S. Synthetic Fuels Corporation.

Because of the importance of the challenge facing this particular Board of Directors, as you have stressed as chairman, and Senator Ford and other members of the committee have stressed this morning, I am particularly pleased to be able to commend to you a person so well qualified as Victor Thompson.

He was born and raised in Thomas, Okla., and served his country in the South Pacific with distinction in the U.S. Marine Corps First Marine Division during the Second World War.

On his return to Oklahoma, he attended the University of Oklahoma where he graduated with a degree in finance and economics.

Vic Thompson has spent his professional life in the banking business and is well known and respected throughout the financial community in Oklahoma and beyond.

He is chairman and chief executive officer of the Utica National Bank of Tulsa, one of our State's major financial institutions.

He is a man of deep moral character and personal integrity and a man who is a great credit to his profession. His service to charitable, civic, and religious organizations is far too extensive for me to detail for you today.

I will list a few. He is deacon of the First Baptist Church of Tulsa; member of the board of directors of the National Conference of Christians and Jews; served as the director of the Oklahoma State Chamber of Commerce and an officer; also of the Higher Education Alumni Council of Oklahoma, the American Legion and is also a member of the board of trustees of the Tulsa Psychiatric Center Board and a leader in that particular organization.

His 30-plus years in banking and finance should prove an invaluable asset to the Synthetic Fuels Corporation. His experience and judgment should contribute enormously to the effective functioning of this organization and the success of the projects which it assists.

Mr. Chairman, I would say I have called upon Vic Thompson very often for advice. There is no person in our state who has a broader based knowledge, not only of the financial community but of all segments of our economy.

I have great confidence in his judgment and I cannot think of a person more qualified to serve as a Director on the Board of the U.S. Synthetic Fuels Corporation. I commend him to you and I hope the committee will speedily approve him.

The CHAIRMAN. Thank you very much, Senator. We will hear from the junior Senator from Oklahoma and a member of this committee, Senator Nickles.

STATEMENT OF HON. DON NICKLES, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator NICKLES. Thank you, Mr. Chairman. It is a pleasure for me to join with the senior Senator from Oklahoma, Senator Boren, in my wholehearted endorsement of Vic Thompson to join with the other fine and distinguished gentlemen to serve on the Synthetic Fuels Board.

I wish to compliment the President and other members and individuals who were comprised to select this group of individuals. Certainly the task which confront these gentlemen is enormous. We are talking about billions of dollars.

I think the individuals before us today have proven themselves in the private sector and certainly Vic Thompson has, as a banker, an investor, an entrepreneur in Oklahoma. He has extremely high esteem throughout the State and the Nation for his expertise in the banking field and also for his knowledge in the energy field which I think will be a tremendous value and asset to this particular committee.

It is with a great deal of confidence and expectation for the production of these individuals and especially Vic Thompson who I have had the privilege of knowing. I think he will make an exceptional contribution to this committee and to the Board and to the President and this committee as a whole.

I join my senior Senator in welcoming these individuals and I look forward to working with you in the years to come in this project.

The CHAIRMAN. Thank you very much, Senator Nickles. Thank you, Senator Boren.

If there is no objection, it would be my intention to ask each of the four nominees to come forward and make their statements and then we will ask questions to the group. I think that would get things done more rapidly.

I would ask Mr. Schroeder to come forward. He has been nominated by the President for a 6-year term on the Board. Mr. Schroeder has extensive experience in a wide range of business activities. He has been engaged in construction management, real estate development, contract management and consulting and most recently the management of very large commercial properties.

Mr. Wilkins, if you would come forward and take the seat next to Mr. Schroeder.

Mr. Wilkins has been nominated for a 5-year term on the Board. After his graduation from Yale University in 1960, Mr. Wilkins began a career in the private sector in the areas of marketing and sales. For the past 16 years, he has been involved in corporate management in the restaurant industry.

The next nominee is Victor Thompson who has been nominated for a 4-year term on the Board and is currently the chairman of the board and chief executive officer of Utica National Bank and Trust Co. and Utica Bankshares Corp. in Tulsa, Okla. Mr. Thompson previously served as an officer or director of several other banks in Oklahoma. He has been actively engaged in the banking business for the past 34 years.

Our final nominee is Mr. Robert Monks, who has been nominated for a 3-year term. Mr. Monks is a graduate of both Harvard College and Harvard Law School. During his subsequent business career, he has served as an officer or director of a number of corporations involved in either energy resource development or banking. Mr. Monks is currently the chairman of the board of the Boston Co. and he also serves on the boards of a number of its subsidiaries.

I might say to all four of you gentlemen that the rules of the committee which apply to all nominees requires that they be sworn in connection with their testimony. I will ask that all four of you rise and raise your right hand.

[Whereupon, the nominees were duly sworn by the chairman.]

The CHAIRMAN. Before we begin with the statements, there are four questions addressed to all witnesses before this committee who are nominated for positions in the Federal Government. I would like to ask these questions of you.

Will you be available to appear before this committee and other congressional committees to represent Corporation positions and respond to issues of concern to the Congress?

[All four nominees responded in the affirmative.]

The CHAIRMAN. Your informational statement has been submitted to the committee. It is required that this statement be made public unless the committee decides that special circumstances justify an exception. Do you have any objection to the publication of your informational statement?

[All four nominees responded that they had no objection.] [1]

The CHAIRMAN. Are you aware of any personal holdings, investments or interests that could constitute a conflict of interest or create the appearance of such a conflict should you be confirmed and assume the office to which you have been nominated by the President?

Mr. SCHROEDER. No.

Mr. WILKINS. No.

Mr. THOMPSON. No.

Mr. MONKS. I have taken the appropriate action to dispose of my financial interest and that of my family and to organize it in such a way that there will be avoidance of a conflict of interest pursuant to the statute.

The CHAIRMAN. Are you involved or do you have any assets held in blind trusts?

[All nominees responded in the negative.]

The CHAIRMAN. We will turn to the opening statements. Senator Cohen was to introduce Mr. Monks and he has apparently been delayed. We will receive his testimony when he arrives.

Mr. Schroeder, you may proceed.

STATEMENT OF VICTOR A. SCHROEDER, NOMINEE TO BE A MEMBER OF THE BOARD OF DIRECTORS, U.S. SYNTHETIC FUELS CORPORATION

Mr. SCHROEDER. Thank you, Mr. Chairman.

Mr. Chairman and distinguished members of the Senate Energy and Natural Resources Committee, it is an honor and a privilege to appear before you today as a nominee to the Board of Directors of the U.S. Synthetic Fuels Corporation.

My professional life has been concentrated in the financing, development management and construction management of large scale commercial and public projects.

These 35 years were decades of explosive growth and change. America was shifting its living patterns and the commercial development sector was responding with tremendous creativity and innovation. Each new venture was larger in scale and more sophisticated in concept and design and each required larger amounts of

[1] The informational statements submitted by the nominees have been retained in committee files.

capital and more complex interaction of various professions, disciplines, governments, and people.

I feel that I have indeed been fortunate to have been a part of this most important and challenging industry. Last November I was invited to work on the Reagan administration transition team for the U.S. Synthetic Fuels Corporation and this spring, I was asked by the President to serve on its Board of Directors. It was truly an honor and I considered what I might have to offer in this position.

I had extensive conversations with Ed Noble, the new Chairman of the Corporation, about the U.S. Synthetic Fuels Corporation, its purposes and its mission and about the mandate of the Energy Security Act. We also discussed the needs of the United States and its allies for adequate energy supplies, the philosophic implications of the Federal Government interfacing with the private sector to develop a commercial synthetic fuel industry, and the required size of the projects, if they were to meet legislated synfuel production goals.

It is with pride and humility that I accepted the President's nomination and now submit myself to the Senate for confirmation. To be able to serve one country's where there is a real need is a distinct honor and privilege.

Thank you for your consideration. I would be pleased to answer questions.

[A biography of Mr. Schroeder follows:]

VICTOR A. SCHROEDER
4082 Land O'Lakes Drive, N.E.
Atlanta, Georgia 30342

Born: July 24, 1921, Rosedale, Kansas
Parents: Deceased

Married: Kathryne McGivern Schroeder

Children: Two Daughters, three step sons

Education: Attended Oklahoma A&M College 3-1/2 years. Awarded six athletic awards, class vice president, student senate and on honor role. Graduated with honors from Officer's Candidate School, U. S. Army, Fort Benning, Georgia; graduated The Parachute School, U. S. Army, Fort Benning, Georgia; graduated Advanced Batallion Commander Course, The Infantry School, U. S. Army, Fort Benning, Georgia; honorable discharge as Captain.

Business Experience

June 1978 to Present - Manager of Development - Atlanta Apparel Mart; Executive Director - Peachtree Center - Coordinating Director, Executive Committee - Portman Properties, Atlanta, Georgia. Member Policy Committee - Atlanta Merchandise Mart, Atlanta Decorative Arts Center. Director of Management - Shopping Centers; Bonaventure Hotel, Los Angeles, California.

1975 to June 1978 - Successful and profitable Consulting and Contract Management in organizing, operating, structuring and financing for various business clients including budgeting and working out difficulties entered into by others.

Mid 1971 to December 1974 - Senior Vice President for Development, Phipps Land Company - responsible for organizing development, contract structuring, financing, leasing, building and managing major real estate purchases and accomplishments in Georgia, Colorado Florida, and New York.

1970 to Mid 1971 - President of Resort Properties, Jasper, Georgia - planning, developing, constructing and marketing a 10,000 acre second home and satellite city undertaking in Georgia mountain area.

1953 through 1969 - Responsible for the planning, construction and/or management of development of seven and one-half million square feet of major regional shopping centers, office buildings, distribution structures which included planning, budgeting, negotiating, financing, building, leasing, and operations in Colorado, Texas, Puerto Rico and Georgia.

1946 to 1953 - Various positions from Foreman of Construction to Executive Vice President of a large general contracting firm responsible for $40,000,000 annually of work in progress. Duties included planning, communicating, negotiating, executing, hiring, and profitability.

The CHAIRMAN. Thank you very much, Mr. Schroeder. Mr. Wilkins.

STATEMENT OF C. HOWARD WILKINS, NOMINEE TO BE A MEMBER OF THE BOARD OF DIRECTORS, U.S. SYNTHETIC FUELS COPRORATION

Mr. WILKINS. Mr. Chairman and distinguished members of this committee, I am also privileged to appear before you as one of President Reagan's nominees to be a Director of the U.S. Synthetic Fuels Corporation.

The Congress has created a remarkable special purpose, limited function entity in the SFC. It has the specific mission of providing financial support to the private sector in order to speed commercial production of synthetic fuels from domestic resources by employing the widest diversity of feasible technologies and types of facilities and of doing this in a manner that is neither economically or environmentally destructive.

This is certainly an enormous challenge but I have no reservation in commiting myself to the objectives of the Corporation and I

pledge my best efforts toward gaining its goal of a viable private sector synthetic fuels industry here in the United States.

My professional experience is concentrated in the area of small business startups, an area where sound management is critical to the success or failure of the enterprise. One of those small businesses grew into a large public corporation employing over 3,000 people.

I have also served as vice chairman of the board of a large national restaurant system which at that time had annual system revenues of over $400 million.

If I am confirmed by the Senate as a Director of the SFC, I will work conscientiously to assure that it has available to it people of the highest caliber. I will seek and support sound financial and project management in all Corporation activity.

Thank you for your attention and consideration of my nomination. I will be happy to answer any questions you may have.

[A biography of Mr. Wilkins follows:]

C. HOWARD WILKINS

A Managing Partner
Maverick Company
P.O. Box 2817
Wichita, Kansas 67201

(316) 685-8281

PERSONAL: Born: February 19, 1938, Wichita, Kansas
Wife: Mary Margaret (Divorce in Process)
Children: Wendy (15)
Trey (12)
Garth (10)
Jason (10)
Tyler (5)

EDUCATION:
1944-1952 Blessed Sacrament
1952-1956 St. Mary's High School
1956-1960 Yale University

BUSINESS EXPERIENCE:

1975 to Present	Maverick Company, Wichita, Kansas, restaurant management
1974-1975	Pizza Hut, Inc., Wichita,Kansas, restaurant management
1970-1974	Pizza Corporation of America, Wichita, Kansas, restaurant management
1968-1970	Pizza Hut, Inc., Wichita Kansas, restaurant management
1966-1968	Pizza Hut of Louisville, Kentucky, restaurant management
1965-1966	Korn & Krumbley's, Wichita, Kansas, restaurant management
1962-1965	International Bazaar, Wichita, Kansas, sales
1961-1962	Kansas Centennial Global Exposition, Inc., Wichita, Kansas, European sales, government and corporation
1960-1961	Wichita Kirby Company, Wichita, Kansas, sales

ORGANIZATIONS:
Young President's Organization, 1973 to present
Yale Alumni Fund, 1960 to present
Yale Class Council, 1979 to present
Wichita Chamber of Commerce,
Finance Chairman, Republican Senatorial Campaign Committee, 1977 to present

The CHAIRMAN. Thank you very much, Mr. Wilkins.
Mr. Thompson.

STATEMENT OF VICTOR M. THOMPSON, JR., NOMINEE TO BE A MEMBER OF THE BOARD OF DIRECTORS, U.S. SYNTHETIC FUELS CORPORATION

Mr. THOMPSON. Mr. Chairman and distinguished members of the Senate Energy and Natural Resources Committee, it is with great humility that I appear before you today.

When I was notified President Reagan had nominated me as a Director of the U.S Synthetic Fuels Corporation subject to this review and confirmation by the total U.S. Senate body, I received the news as an extreme compliment.

I could not give an immediate yes or no. I knew the decision would require detailed soul searching, including the invasion of privacy required by such an appointment. Not only that but a thorough self-examination had to be completed. This procedure called for objectively weighing my talents, education, and experience.

As I analyzed myself in relation to what I consider a most important part of the responsibility of the Corporation, it was obvious finance played a key role. Lending money and packaging credit is what I have been doing all my productive life. It has ranged from the most sophisticated, complicated, technical, and unique to the most simple, involving almost every kind of an investment and service.

It occurred to me that if confirmed to this position my entire experience might be helpful as I will be participating in decisions calling for the placing of funds at risk, mine and other taxpayers, no different than a board member shareholder in a private business. This further bolstered my confidence.

My decision, if confirmed, was to accept and commit myself to the job if the President and U.S. Senate wanted to put me to work.

I am vitally interested in the welfare of the United States, the creation of the Synthetic Fuels Corporation is to me quite unique in this country. As a banker of some 35 years in the Southwest, I fully realize the need for margins and reserves.

Even though it would appear at the moment we have an adequate supply of oil and natural gas, Congress was wise in voicing their concern through the establishment of this catalyst in order to insure energy self-sufficiency at the earliest possible time.

The opportunity presented by Congress is a challenge and responsibility not to be taken lightly. The mandate calls for production of 500,000 barrels equivalent of synthetic fuel per day by 1987 and 2,000,000 by 1992; and accomplishing this goal by the development of a variety of techniques and processes imposed upon a number of different sources of coal, oil shale, and tar sands.

I believe it is necessary to provide a form of financial comfort to American industry to achieve these goals. The risk of industry within the time frame outlined, in my opinion, increases immensely. Not only are the companies involved exposed to the possible discovery of huge conventional reserves, domestically and internationally, they are subject to OPEC, which can move arbitrarily and capriciously, such as an overnight drastic reduction in price.

It can come of course any time they choose whether a given project is partially complete or in full production. Such financial exposure can be devastating to our country as a whole, not to big

oil, big steel, big construction industry, but to the millions of stockholders who really own these companies and have their life savings and pensions riding on the judgment of management.

It is a very delicate balancing act assigned to this Corporation by Congress. We must expand our technology so as not to be totally dependent on conventional sources yet we cannot move so fast the concentration in synthetics detracts from industry's present efforts. We must not exploit another precious resource, water, at the expense of food production. The financial exposure to Government must be a very minimum to accomplish the task.

I believe the law creating this Corporation is broad enough in scope to provide for a strong national defense in addition to delivering a dependable supply of alternate fuel to maintain and expand our industrial capacity.

Flexibility in the legislation is evident and I think further demonstrates the wisdom of Congress. Not only were the above mentioned mandates clear, it is quite obvious the Government does not want to invade the private sector, just encourage American industry to once again demonstrate their ingenuity to accomplish a task.

Congress has indeed provided direction which can result in a paid up insurance policy having as its values for the American people greatly reduced exposure to world uncertainties, a major contribution toward the stabilization of prices, primarily in the form of consistent energy supplies while greatly relieving the country from concerns associated with a finite supply of conventional petroleum reserves.

It would be an honor and a privilege to serve as a Board member of this Corporation. If confirmed by the Senate, I will do my best to carry out the intent and spirit of the Energy Security Act.

I thank you for your consideration of my nomination and I will be glad to attempt to answer any questions you may have.

[A biography of Mr. Thompson follows:]

VICTOR MONTGOMERY THOMPSON, JR.

Current position	Chairman of the Board and Chief Executive Utica National Bank & Trust Company Utica Bankshares Corporation
Address	P. O. Box 1559 - Tulsa, Oklahoma 74101 - Business 2736 East 69th Place - Tulsa, Oklahoma 74136 - Residence
Date and place of birth	November 12, 1924 - Thomas, Oklahoma
Family	Wife: Betty Jean McNeill Thompson, married July 3, 1946 Children: Victor Bruce Thompson (34), Robert Jackson Thompson (32), Jean Ann Thompson Fennel (28) Grandchildren: Nine
Education	High School: Thomas, Oklahoma College: University of Oklahoma at Norman, 1948 graduate with BS in Finance and Economics
Military Duty	U. S. Marine Corps Reserve, First Marine Division - South Pacific - October 3, 1942 to May 2, 1946 - Corporal
Career summary	1948 to 1957 - American State Bank, Thomas, Oklahoma Vice President 1957 to 1977 - First National Bank & Trust Company, Stillwater, Oklahoma - 16 years as President and Chief Executive and 4 years as Vice Chairman of the Board 1970 to date - Utica National Bank & Trust Company and Utica Bankshares Corporation - 8 years as President and Chief Executive, and then Chairman and Chief Executive
Church affiliation	Deacon - First Baptist Church of Tulsa
Organizations Present	Tulsa Airport Authority Board of Trustees Foreign Commerce Bank Advisory Board Oklahoma Heritage Association Board of Directors Oklahoma State Chamber of Commerce Board of Directors National Conference of Christians & Jews Board of Directors Salvation Army Greater Tulsa Advisory Board Tulsa Psychiatric Center Board of Trustees Oklahoma State University Education & Research Foundation Higher Education Alumni Council of Oklahoma Tulsa Baptist Retirement Home Board of Directors Downtown Tulsa Rotary Club Southern Hills Country Club, The Tulsa Club, American Legion, Masonic Lodge, Sigma Delta Pi
Past (Partial)	Federal Reserve Bank of Kansas City, Director Oklahoma City Branch Sooner Life Insurance Company, Organizer/Director First National Bank/Wagoner, OK - Director First National Bank/Cushing, OK - Director Union National Bank/Tulsa, OK - Organizer/Director Oklahoma Bankers Association Board of Directors Children's Medical Center Board of Trustees Hillcrest Hospital Board of Trustees St. John Hospital Board of Trustees Metropolitan Tulsa Chamber of Commerce Board of Directors

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The CHAIRMAN. Thank you very much, Mr. Thompson.

It would be appropriate before we hear from Mr. Monks, to hear from Senator Cohen.

STATEMENT OF HON. WILLIAM S. COHEN, A U.S. SENATOR FROM THE STATE OF MAINE

Senator COHEN. Thank you, Mr. Chairman. I apologize for not being here at the opening of the session. The only confession of err I can make is I participated in a 3-mile race this morning to demonstrate which branch of Government is the most fit. It took me 22 minutes to complete the 3 miles and about 2½ times that to recover from it. I apologize.

Mr. Chairman and distinguished members of the committee, it is indeed a pleasure for me to be able to present for your consideration today as a Director of the U.S. Synthetic Fuels Corporation, a long time friend of mine, Robert A. G. Monks.

Presenting Bob Monks is a pleasant but I must say a rather difficult task. He has accomplished so much in his lifetime that I am forced to pick and choose from among his achievements in order not to spend all day presenting him to you.

Bob's education at Harvard University where he graduated magna cum laude and at Boston College Law School and Harvard Law School all endowed him with a love of language and ideas and his natural energy and drive have made him a man of action.

He has seen the problems and the promise of the energy industry in this country firsthand from both the public and private vantage points and through his service as the director of the Maine Office of Energy Resources and through his experience as president of a New England coal and oil distribution company and a Maine wood fuel business.

Bob is not plagued by unrealistic expectations about government which can afflict those who do not have the experience in the political arena. He knows that politics is the art of the possible. He has complemented his great success as an entrepreneur in the private sector with strong devotion to public service.

His public life has been characterized by a tremendous zeal and enthusiasm for each of his jobs.

I have known Bob and his wife, Milly, for many years. I know he is going to serve the President and the country well in the Synthetic Fuels Corporation and I am pleased and proud to present him to you at this time.

The CHAIRMAN. Thank you very much, Senator Cohen. We appreciate your statement.

Mr. Monks?

STATEMENT OF ROBERT A. G. MONKS, NOMINEE TO BE A MEMBER OF THE BOARD OF DIRECTORS, U.S. SYNTHETIC FUELS CORPORATION

Mr. MONKS. I am honored to appear before you and the other distinguished Senators.

The legislation establishing the Synthetic Fuels Corporation is exquisitely crafted and I would compliment those who participated in what must have been a very difficult birthing process.

It does have a kind of flexibility that really places the burden of implementation in carrying out the congressional objectives on the Directors and the executive officers of the Corporation but the statute does provide the latitude to do this.

The real challenge will be up to us and to Ed Noble and the two gentlemen subsequently to be nominated and confirmed as to how we can work together to carry this out.

The statute itself provides adequate flexibility in order to achieve the objectives.

I personally believe that a successful synthetic fuels industry is essential to the Nation. I feel the involvement of the Synthetic Fuels Corporation can be the pivotal factor in bringing the technological competencies and the production competencies onstream

many years before what would happen without the involvement of the Corporation. I believe it is in the national interest this should happen.

My qualifications as Senator Cohen graciously alluded to involve having directed a number of businesses in the coal, oil and natural gas areas and also in most recent years as chairman of a bank. I feel with humility that I can make a contribution to the Corporation.

I look forward to doing so and I would consider it an honor and a privilege if confirmed by this committee and by the Senate to serve.

[A biography of Mr. Monks follows:]

ROBERT A. G. MONKS

The Boston Company, Inc.
1 Boston Place
Boston, Massachusetts

(617) 722-7138

PERSONAL: Born: March 12, 1933
Boston, Massachusetts

Wife: Millicent S. Monks

Children: Melinda C. Monks (25)
Robert C. S. Monks (24)

EDUCATION:

1946-1950	St. Pauls School
1950-1951	Ecole International
1951-1954	Harvard College
1954-1955	Trinity College, England
1955	Boston College of Law
1956-1958	Harvard Law School
1970	J.F.K. School of Government, Harvard

BUSINESS EXPERIENCE: I have at one time served on the Board and/or been an Officer of the following companies: Imperial Smokeless Coal, Petroleum Heat and Power Company of Rhode Island, Winding Gulf Coals, Inc., Gardner Associates, Penn Virginia Corporation, Westmoreland Coal Co., Esterline Corporation, C. H. Sprague & Son Company, The Sprague Company, Ram and Company, Sulpetro of Canada, Inc. Sulpetro International, Maine Wood Fuel Corporation, The Boston Company, Inc., The Boston Company Associates, Inc., Loomis and Kennedy, Inc., The Boston Company Financial Strategies Group, Inc., TCB Properties, Inc., The Boston Safe Deposit and Trust Company, The Boston Company Income Security Advisors, Inc., Boston Company Capital Group, Inc., Boston Hambro Corporation, Income and Price Index Fund, The Boston Company International Group, Inc., The Boston Company Investment Research & Technology, Inc., The Boston Company Real Estate Counsel, Inc., and The Boston Company of Texas.

OUTSIDE INTERESTS: I have served as Director, Officer or Trustee of the following organizations: Cambridge Civic Association, Lenox School, Longy School of Music, Nasson College, Ram Island Dance Company, Susan Curtis Foundation, Bancroft North, AIDE, Maine Center for Development, Hyde School, Bangor Theological Seminary, Landmarks, Bath Maine Museum, Childrens Hospital Medical Center, and American College of Greece.

I was a candidate for the U.S. Senate from Maine in 1972 and 1976.

The CHAIRMAN. Thank you, Mr. Monks.

Before I open it up to questions, I want to make one further comment. It has been called to my attention there was an editorial in the New York Times this morning which indicated we ought to go slow on synfuels, that perhaps the goals need to be scaled down, and that somehow oil price stability has now taken the heat off energy policy.

I will take the time only to remind those who may be listening that it was not long ago when we had thought we had reached another period of stability before the Shah of Iran fell. The world oil supply was about some 5 percent ahead of world oil consumption. When the Shah fell, we lost some 5 million barrels a day out of their 7 million barrels a day production and the price of oil doubled overnight.

For every $1 increase in the price of oil, the American economy pays about $6 billion a year at current levels of consumption. Out of that $6 billion, somewhat over $2 billion comes from imports.

If we can indeed reduce consumption of imported oil, we have staunched the outflow of capital to some degree. To the extent that an availability of a synthetic fuel alternative depresses the price or holds down the demands for price increases, we save the American consumers directly over $6 billion a year.

The same New York Times editorial speculated that the availability of alternative fuel supplies is one of the reasons the Saudis are maintaining price stability. I know the newspapers have the luxury of being on all sides of every issue. Apparently the Congress once in a while has to accept the responsibility of deciding which side the newspapers are on is the correct one.

Senator FORD. They buy their ink by the barrel.

The CHAIRMAN. Their newsprint by the acre.

I take the time only to indicate that while the urgency is much less because of current pricing of oil, the urgency is no less because the potential for disruption and the potential for economic pressure and the potential for distortion of American domestic and foreign policy.

I am heartened by the statement of each of you, gentlemen, of your commitment to make this Corporation work. It was a difficult piece of legislation. The policy choices were difficult.

The Congress did carefully limit what the Corporation could do while at the same time attempting to give the Corporation sufficient latitude to make the choices the Congress cannot take the time to make with respect to the competition between different technologies and different competing applications.

The variety is nearly infinite. You gentlemen will have a very difficult task to make the choices that are necessary.

There are those who are happily predicting your failure. There are those who want to say that certainly there will be white elephants involved and certainly this will be a waste of money and you will have failed in your mission to protect the taxpayers' interest.

Those are all hazards that are apparent and real. I have greater confidence in your collective ability to monitor those programs, to select wisely and administer properly the programs you do select, and to give the United States a new weapon in its arsenal of energy options. I think that is extremely important for our country at this juncture.

Senator Jackson?

Senator JACKSON. Thank you, Mr. Chairman. I appreciate your fine opening comment.

I would like to follow up by observing that one of the real culprits in my view in the inflationary process which is new on the

American scene is that we have developed in this country an inflationary psychosis.

Ever since the rapid increase in the price of oil, the financial markets have said, in effect, that America is no longer master of its destiny in economic terms with the price of oil going from $1.60 a barrel to $41 a barrel. On this issue of price stability since December, one must remember OPEC requires oil be paid for in dollars. In December, the price of oil in dollar terms is $32 a barrel. It hit almost $40 a barrel in July. Europe was paying in dollars that had appreciated 50 percent. Let us lay that one to rest.

The reason so much hell was raised at Ottawa on the part of our friends from Japan all the way to Germany is they are paying 50 percent more for oil in that time frame of December to July. This point has been totally missed in the press. The American people do not understand why they were raising so much hell.

If you were the head of governments in those areas, you would be raising hell because that is one of the impacts on the price of oil.

It has had an inflationary impact even though it appears it is selling for $32 a barrel. They are paying for it in dollars and it is devastating.

What I am saying is the new culprit in inflation is the view in this country that we are no longer master of our destiny. We have had price wage stability with deficits. Do not get the idea that just because you balance the budget you are going to end inflation. You can look back through history and you will find that is not true.

The problem is a person will not buy a long-term bond today. Why? If you balance the budget, do you think that will mean they will buy long term? Not necessarily. The feeling is in this area of energy and in other areas, we do not control ultimately our own price wage stability.

We will know that inflation is over when a person will go into the bond market and buy long-term bonds. They are not buying them. They are going to the bank. There is no long term bond market. That represents the state of mind and attitude in my view, that only a fool would invest in long term bonds, because that is the ultimate test, whether or not a portion of your investment will be there.

Hanging over all of this ever since the first embargo, is the rise in the price of oil from $1.60 up to $41 per barrel with its pervasive impact on everything.

I think unless we are able to establish the confidence in this country that we are not going to be dictated to by a bunch of tinhorn types who have no respect at all for the preservation of Western financial institutions, we are going to be in trouble.

That leads me to the whole business of synthetic fuels. I have been through the battle. In 1975 and 1976 we were defeated in the House by two groups. The far left said it was a sellout to big business and the far right said it was socialism. I said I do not care what you call it, I want to get the job done.

When Mr. Noble was here, I said one of the things you should do and I respect completely the market philosophy, the private sector doing it all, but the first thing you should do is invite all the energy companies in, get a legal size sheet of paper and put their

names down, how much they are going to invest in synthetic fuels and when and what will they be able to produce.

I will ask each of you if you know whether that has been done.

Mr. SCHROEDER. A list has been started, Senator. There have been some individual conversations between Ed Noble and some of these gentlemen. The plan is to do as you suggest.

Senator JACKSON. I respect the market. If I were the head of a corporation and a chap came in and said I want to invest $3 billion in a synthetic fuels plant that will produce 50,000 barrels a day, I would throw him out because I would have to say, we are going to get no return on this for 7 years.

I do not think from the standpoint of that individual corporation that it makes any sense. That is why for a decade we argued. For a decade nothing was done. In a Nation that has the enormous raw material base to produce synthetic fuel, almost half of the world's coal supply, 1 to 2 trillion potential barrels of oil and oil shale, nothing was done.

My plea is the historical one of getting Government and industry together to get it started and get it initiated. We have been waiting all these years.

I would point out that Mr. Yamani, the Energy Minister of Saudi Arabia 2 or 3 months ago, in arguing with his colleagues in OPEC said if you raise prices again those Americans will start to move on a synthetic fuels program. That is exactly what we should be doing. If you want to restore confidence in Wall Street. There is an utter lack of confidence after passing the entire Reagan program, which I voted for, to give him a chance. I was convinced the financial markets would not receive it in the way it was outlined.

Once the American people see we are doing something about that element of our economy, energy, that has devastated the whole price wage structure, I think you will get some action.

You do all these things and cut all these programs, but unless you convince the investors that we will be able to bring prices under control, you will not win this battle. Inflation will go on because people will not invest in new plants and new equipment which means the bond market.

I would like each of you to comment. I hope you are there to do something. I have been disappointed in the delay. This is now the 8th month of this year and this program should be on the road and moving.

I hope you are not going to preside over the demise of an effort which I think is critical to the financial integrity of this Nation.

Mr. Schroeder?

Mr. SCHROEDER. Senator, I have no intention whatsoever of presiding over the demise of this program.

Senator JACKSON. It is the 9th month.

Mr. SCHROEDER. I started to tell you it was later than you thought. In answer to part of your question, Mr. Noble and I and the Acting Financial Vice President of the Corporation met with about 50 people on Wall Street—long-term investors, insurance companies, and so forth. We have another meeting with about 40 more on the 29th of this month.

This has been an initial step to do what you suggested.

Senator JACKSON. Where are the energy companies in this? They have been bidding on taking over other oil companies. I understand that. If you have a few bucks, you are going to invest it in something you will get an immediate return on.

Mr. SCHROEDER. That is right, sir.

Senator JACKSON. What did they tell you from Wall Street about their ability and what kind of interest you would have to pay on long-term funding? My recollection is the day before yesterday, Ma Bell AAA went for 17 percent long term. It is the highest in the history of our Nation.

Some of us have been working on the Alaska gas pipeline which is the largest private investment in the world. I must say the negative signs are everywhere.

I would be curious to hear what they told you they would be able to do investment-wise.

Mr. SCHROEDER. Actually we asked for no conclusion on their part. We were interested in commencing the dialog between the lending institutions and the Corporation.

The second part of the program would be to have the meetings as you suggested with the energy companies. The Board would either be at these meetings, or acquainted with them. We could then proceed after getting a base of information.

Senator JACKSON. I wonder what you see happening as members of the Board. Are you going to see industry taking off and investing in these plants? A 50,000-barrel-a-day plant is around $3 to $4 billions.

What do you perceive your job to be? Are you going to be turning this over to the private sector and watching them or do you see an active corporation determined to prosecute the development of these resources? That is what I would like to know.

Mr. THOMPSON. Senator Jackson, my comments are that I have not been associated with a loser. I am interested in us moving on. I am convinced the goals will be met. I think we have a sales job, not only financing but a sales job to do to encourage private industry to move along and not only do we have to listen to technical information and make determinations but we need to encourage industry to get involved soon.

You mentioned Iran. I believe Congress and President Truman began a number of years back to explore the synthetic fuels concept and there was a big discovery of oil in the Mideast and it gradually went down the tube.

We are much further long today. Whatever our finite supply of conventional reserves are are certainly less than they were. We need an alternate fuel not only for defense but for economy.

Senator JACKSON. You feel the private sector has had this in mind for a decade on the development of synthetic fuels? We were told if the price of oil went up to so much, we would get so much in synthetic fuel. Nothing has happened.

I find it curious that the far right and the far left seem to be running the show. It was really amusing to see as I watched them kill our synthetic fuels program which we put through in 1975 in the Senate. I think there were four votes against it in the Senate. The far right and far left joined hands.

The extremists said it was a sellout to big business. Big business said it was socialism.

You will have socialism if we have a collapse of our financial institutions. That is what is at stake. This is not just a production program. This is a program that goes to the financial integrity of this Nation.

How long are we going to sit on the Corporation and not get any results? I asked these questions of Mr. Noble back in April. Bring these people in. The legislation contemplates that if the private sector will do it alone, fine.

All these months are past and I want that sheet of paper to see if they are going to do it. I say they are foolish. You cannot finance it in Wall Street.

I want to know if you are really going to move, how long are you going to wait. Are you going to bring in industry? I asked that question in April.

You have a terrible responsibility. You may be more important than the Federal Reserve.

Senator FORD. I hope they do better.

Mr. WILKINS. Senator, to answer your question, I just got here. We are aware there has been a long delay. We have read a lot of testimony about your concern and the concern of the committee, the concern of the Congress. This is our day for presenting ourselves before you in the hopes that we can be confirmed and get the very job started that you are concerned about.

I want to assure you that we are anxious to get cracking and start moving. We have a bit of a lull here in terms of the pressure and the definition of "urgency." As the price of oil goes down the cost or the gap of synthetic fuels increases.

Senator JACKSON. Remember for our allies it is up 50 percent. That affects American business. It is harder for them to buy American goods.

Mr. WILKINS. Speaking for myself, we are ready to start cracking.

Senator JACKSON. Congress set out targets of 500,000 barrels by 1987, 2 million by 1992. These are goals. They are not impossible. Franklin Roosevelt 258 days after he issued the order had synthetic rubber flowing after the cutoff from Malaysia. He did that by bringing in the rubber companies and the Defense Plant Corporation as a cooperative effort.

I think that same kind of urgency exists.

Mr. MONKS. Being in the business of trying to advise people whether they ought to buy long-term bonds, I have been conscious of my fallability for the last 6 months. I felt they were a wonderful purchase but no one seems to agree with me. I hope my customers if they have any money left will keep their patience.

I am very moved by what you say. I heard you say this in May. I have read your comments on the subject for 10 years. If I were you, I would not have the calm and patience. I would be so mad I would be jumping up and down.

Senator JACKSON. I tried that but it does not work.

Mr. MONKS. You have been saying it for 10 years and it has been true for 10 years. Coming from a State like Maine I can say if they

had built the Passamoquoddy Dam in the 1930's, we would have a whole lot less problems in that part of the world.

I would say from my own point of view that I have two reactions. I am not aware of a time in history where the legislature has conferred on a private group of people as you are conferring on us authority over as much money. You were elected and we were not.

We have a real responsibility in terms of the $22 billion presently available in funding, not to speak of the contemplated ultimate funding of the Corporation 2 or 3 years hence.

I will not have an opportunity in my life to be involved with a responsibility of this magnitude and I intend to exercise it prudently. No matter how much money you have, you can always spend it. I am very anxious that we should be extremely careful about how we do it.

On the side of what I think we can do and where I would say in months we could come back and perhaps give you a sense of comfort, I really feel in crafting this legislation which as I said I think was ingenuously crafted, you have filled an institutional gap in the present American system, without which it would have been almost impossible for people to contemplate capital programs of this magnitude.

Those institutional gaps are basically in the area of the purchase and price guarantees. If you take the arguments of Petroleum Minister Yemani, the great worry of people going into the synthetic fuel business is they are going to make this capital commitment and the person who sits on all the hydrocarbons in the world is going to cut the price in half and they are going to be bankrupt.

Senator JACKSON. The bond market will come back.

Mr. MONKS. The bond market will be good.

Senator JACKSON. That is the most important thing. You are not a TVA. You are not here just to build projects. In my view what you do will have a profound impact on the financial integrity of the United States and its Western industrialized partners. Do you not agree?

Mr. MONKS. Yes, I do.

Senator JACKSON. I think the idea in the public mind is that you are just going to dish money out and build plants, you are doing more than that. You are trying to bring stability to the financial markets that are in such a state of disarray.

Mr. MONKS. Another source of perhaps some optimism and encouragement to continue the decade long patience with the subject is the development of tar sands in Canada. On the assumption it is possible to build in Canada without having any taxed away or owned by Americans or what have you, the fact is vast amounts of money has been committed by the Sun Co. and now by a subsidiary of Standard Oil Co., New Jersey, and they will have a very significant amount——

Senator JACKSON. One of the biggest chunks is the heritage fund. They have a little kitty in Alberta.

Mr. MONKS. I used to be in the gas business in Alberta and I contributed to that kitty.

Senator JACKSON. Mr. Lougheed is a very astute premier. I think the balance sheet showed a little over $10 billion plus.

Mr. MONKS. The reason I mentioned that is it seems clear that what produces the volumes that the Congress had in mind is simply getting production scale plants onstream as rapidly as possible. It is at that point that people really begin to learn new technologies. There is a great place for the laboratories and for the classroom. The real place to learn how to do these things is to get them up and running.

There are these very large projects going on in Canada and the technology enhancement will certainly be to our benefit.

The CHAIRMAN. Senator Nickles?

Senator NICKLES. Mr. Chairman, I would like to make a couple of comments since we have debated the synfuels projects and the Corporation as designed and what its effects would be on the money market.

My view would be sharing that concern of Senator Jackson but totally opposite results. I think if you had a very dynamic and aggressive synfuel project where we are going to put in $88 billion and then we are going to realize that is not enough in the next 10 years and the New York Times said it might be $120 billion. If you look at the rapid escalation of costs under SRC I and II and the Canadian project and see how those totally bloomed out of relationships to the original estimates, I think you would see a disaster on Wall Street.

I think if Wall Street realized we were going to mandate that money be taken from either the private sector or from the taxpayers and it was going to be forced and mandated into these various projects, I think you would see Wall Street and investors saying, there is not much money right now, the Federal Government is already spending more than it is taking in.

We see these massive projects we are giving blank checks to and when they start and we are committed to finish, we are going to come up with the goal of 2 million barrels per day which in my opinion is totally unrealistic, I think Wall Street would be in a real tailspin.

I think the long-term bond markets would be a disaster because they would be realizing this would be taking money away from available capital of the market for other private resources.

I agree with the chairman that we need to decrease our dependence on OPEC and other imported oil sources. How? In my opinion certainly the marketplace is the way. We are talking about capital needs. We need capital for offshore drilling. We need capital for the Alaskan gas pipeline. We possibly need additional capital to increase our drilling and production on Federal lands, certainly in Alaska and the Western States. All these are capitally intensive areas.

If we mandate too much of our capital resources into these type of projects, I think it would be very detrimental and very counterproductive for reducing long-term interest rates, the high cost and the real penalty being on the American people.

I believe there are Members in this Senate and in the administration that do not really share the progressive and very heavy Government involvement in the synthetic fuels business.

I would hope that you would keep in mind that this legislation was passed and it was in a different Congress and a different

climate and a different President. I would hope that some of us have not had enough time to make some of the legislative changes that I think need to be made to the bill passed last year and I hope we will be successful.

I would hate to see the money committed, the projects committed, the plants being broken right now. We have already basically withdrawn from SRC II. I hope we do before SRC I. That is being debated in Congress.

We still have some very important battles as far as the future determination of Government involvement in synfuels. I hope you will keep in mind these comments.

I just wanted to offer a different viewpoint. There is very strong feelings on both sides of this issue and that is what makes this country and Congress run.

Senator JACKSON. Thank you, Senator Nickles.

Senator Ford?

Senator FORD. Senator Nickles makes it hard to swallow. We may debate decontrol again.

In the ballooning of SRC I and so forth, it is something like the defense budget. Let me say to the four distinguished gentlemen that you did not come to hear our debate over who was for or against synthetic fuels, you are here to answer our questions.

In order to save time, Mr. Chairman, I will submit my questions to the majority staff and ask them to submit those questions to the nominees and ask them to respond to my questions in writing.

The CHAIRMAN. Without objection, it is so ordered.

[Answers to Senator Ford's questions follow:]

United States Synthetic Fuels Corporation
1900 L Street, N.W. Washington, District of Columbia 20586 Telephone: (202) 653-4400

September 22, 1981

The Honorable James McClure
Chairman
Senate Committee on Energy
and Natural Resources
Room 3102 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

At the September 10 confirmation hearing on the Synthetic Fuels Corporation Board nominees, Senator Ford asked four specific questions of each of the nominees and requested that they respond for the record. I am now respectfully submitting my answers to those questions.

I appreciate your interest in the Corporation and look forward to working with you in the future.

Sincerely,

Victor A. Schroeder
U.S. Synthetic Fuels Corporation

cc: Honorable Wendell Ford

Responses by Victor A. Schroeder to Questions from Senator Ford

Questions 1 & 2

"Do you believe that the U.S. Government has an active role to play in the development of a domestic synthetic fuels program? If so, what is that role?"

Yes, the U.S. Government has an active role to play in the development of a domestic synthetic fuels program. I believe that the Energy Security Act details that involvement through the legislative authorities given to the U.S. Synthetic Fuels Corporation, whose primary role is to act as a catalyst in the development of a private sector synthetic fuels industry. The Energy Security Act gives the Corporation a variety of financial tools with which to pursue its role. The Corporation has already issued one solicitation for proposals for synthetic fuels projects and is likely to issue both a supplemental solicitation and a second solicitation in the near future. In this way the Corporation has actively begun to carry out its legislative directives. Using its financial authorities and appropriations, and employing prudent management and deliberate project selection, the Corporation will both play an active role in the development of a private sector commercial synthetic fuels industry, and will judiciously use the public monies entrusted to it.

Questions 3 & 4

"Are you committed to doing everything that you can to effect achievement of the synthetic fuels production goals set out in the Energy Security Act? Do you believe that these goals can be achieved?"

I believe that the synthetic fuels production goals established by the Energy Security Act are optimistic, but can be achieved if the Corporation succeeds in its task of encouraging the private sector development of a synthetic fuels industry. I am committed to doing everything that I can to see that those goals are achieved. I believe that the best way for the Corporation to work towards the achievement of those goals is to carefully, deliberately and prudently select projects which will demonstrate the viability of synthetic fuels technologies. In this manner the private sector will see examples of successful commercial-scale synthetic fuels development and will be encouraged to invest its own money, without federal assistance, in synthetic fuels projects. It is with these private sector projects joining the Corporation's efforts that the production goals of the Energy Security Act can be achieved.

Maverick company

P.O. Box 2817, Wichita, Kansas 67201, Phone (316) 685-8281

C. Howard Wilkins, Jr.

September 14, 1981

Senator Wendell H. Ford
4107 Dirksen Senate Office Building
Washington, DC. 20510

Dear Senator Ford,

Below are the answers you requested to your specific questions.

1. Do you believe that the U. S. Government has an active role to play in the development of a domestic synthetic fuels program?

   Answer: Yes.

2. If so, what is that role?

   Answer: I have no material disagreement with that role as it is stated in the Act.

3. Are you committed to doing everything that you can to effect achievement of the synthetic fuels production goals set out in the Energy Security Act?

   Answer: Yes.

4. Do you believe that these goals can be achieved?

   Answer: Yes, but only with the full involvement of the private sector.

Thank you for your interest, Senator.

Kindest regards,

C. Howard Wilkins, Jr.

CHW:dd
cc: The Majority Staff
3102 Dirksen

SEP 14 1981

V. M. Thompson, Jr.
P. O. BOX 1559
TULSA, OKLAHOMA 74101

September 14, 1981

...ERGY AND NATURAL RESOURCES
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WASHINGTON, D. C. 20510

The Honorable James McClure
Chairman, Senate Energy and
Natural Resources Committee
3121 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator McClure:

During the confirmation hearing for the nominees for the Board of Directors of the Synthetic Fuels Corporation, there were four specific questions posed to each one of the nominees to be answered in writing within ten days from the date of the hearing with a copy requested to Senator Wendell Ford. I respectfully submit the following answers:

Question #1: Do you believe that the U.S. Government has an active role to play in the development of a domestic synthetic fuels corporation?

Answer: The U.S. Government, in my opinion, has shown great reluctance to enter the private sector unless it perceived an emergency situation. One is reminded of the Manhattan project, synthetic rubber endeavor and price guarantees for uranium during World War II, all of which served the country well preserving our freedoms and way of life.

President Truman made an attempt to create an interest in synthetic fuels during his tenure only to be stymied by prevailing short sightedness created by the discovery of large oil reserves in the Middle East.

If I were the Chief Executive of a large energy corporation today, I would be reluctant to divert inordinate amounts of capital to alternate fuels while conventional sources of energy exploration, development, refining and marketing were yielding comfortable and adequate returns. Common sense tells me, in order to divert meaningful resources immediately, I as Chief Executive Officer would be casting

about for sources of comfort and encouragement as support for using stockholders' money, lines of credit and earnings. This would be especially so in these uncertain times in a venture fraught with unproven technologies and the vagaries of the marketplace. For these and other reasons, I believe it is in the best interest of our Nation and way of life alternate fuels should be developed "post haste." The only practical avenue to accomplish such a task is with government encouragement to the private sector.

Question #2: If so, what is the role?

Answer: There are many roles the Government could play in the development of synthetic fuels. I believe the role outlined in the Energy Security Act creating the Synthetic Fuels Corporation is adequate to accomplish the task.

It is important we communicate to those in other countries, who presently exercise the high degree of control of both supply and price of petroleum products, America's resolve to become relatively independent. The Act accomplishes this task.

It is vital effective communications be implemented and expanded with private industry regarding the necessity of proceeding immediately with such a development, making them more fully aware of the urgency of the situation. The government should provide an avenue of encouragement through price guarantees, purchase agreements, loan guarantees and, as a last resort, direct loans. These sources of comfort and commitment, even though provided in the Act, cannot be arbitrarily granted. They must be available to qualified entities offering a sufficient variety of technology without discouraging a continued search for conventional petroleum products nor radically altering our environment. It should be clear to industry that Congress didn't intend for the Government to compete but it does want a viable synthetic fuels industry.

I think Congress did a commendable job in creating the Synthetic Fuels Corporation. It sets out goals to be accomplished (500,000 barrels by 1987; 2 million barrels by 1992). It gives direction and provides the tools necessary and it further assures industry it does not want to compete by providing a demise of the Corporation in 1997.

It is my opinion the role of government outlined in the Energy Security Act is sufficient to accomplish the task filling the void of dependence from international sources, strengthening our defense and adding stability to our economy.

Question #3: Are you committed to doing everything that you can to effect achievement of the synthetic fuels production goals set out in the Energy Security Act?

Answer: I, without hesitation, am 100% committed to doing everything I can to effect achievement of the synthetic fuels production goals set out in the Energy Security Act.

Question #4: Do you believe that these goals can be achieved?

Answer: I am expert in the financial area. I have and am continuing to inform myself as rapidly as possible about technology, supply sources, environment, etc. regarding synthetic fuels. Imposing this information on my financial background, I believe the financial industry can support the goals.

From what I have learned, a precious 14 months has already been lost placing an additional burden on the Corporation to achieve these goals. However, I believe it is possible to get the job done.

Senator McClure, it was a pleasure and a privilege to appear before your Committee. I was sincere in what I said -- it was a humbling experience. I would like to take this opportunity to thank you for the courtesies shown and expecially the obvious interest of you and your Committee in making America better.

I appreciate your interest and the interest of the Committee and look forward to being a part of this effort.

Sincerely,

Victor M. Thompson, Jr.

cc: The Honorable Wendell H. Ford

ROBERT A.G. MONKS
180 BEACON STREET
BOSTON, MASSACHUSETTS 02116
617 266-4490

September 14, 1981

The Hon. Wendell H. Ford
U.S. Senate
Room 3102 Dirksen Building
Washington, DC

Re: Questions of Senator Ford to Nominees of the Synthetic Fuels Corporation

1. Do you believe that the U.S. Government has an active role to play in the development of a domestic synthetic fuels program?

   I believe that the Synthetic Fuels Corporation is a useful and essential element in the development of a synthetic fuels program in the U.S.

2. If so, what is that role?

   The Synthetic Fuels Corporation can provide a kind of financial assistance, specifically with reference to purchase and price guarantees that are needed and that were not available until this enabling legislation was passed.

3. Are you committed to doing everything that you can to effect achievement of the synthetic fuels production goals set out in the Energy Security Act?

   I feel that I can make a contribution to the achievement of production goals set out in the Energy Security Act and I am committed to that objective.

4. Do you believe that these goals can be achieved?

   I believe that the Synthetic Fuels Corporation can stimulate the private sector so as to enhance the probability of achievement of the production goal.

Respectfully submitted.

Robert Monks

Copies to Majority Staff

Senator FORD. I think basically all four of you have answered my questions. Mr. Monks, I particularly liked your attitude as it relates to being prudent with the taxpayers' money. On the other hand, you can see the potential for what the Corporation is set up for and I think that is the attitude of all four. I am delighted to see that attitude.

One of the points Mr. Monks made about the tar sands in Canada and it was the Government that had the ability to pick up when private enterprise dropped off and go forward with it. It is coming out at about $17 a barrel. That does kind of fly into the face of $41 a barrel. If we have that ability, I think it means a great deal to the future of this country and to defense.

If you have to divert the oil and liquid to our defense posture at some given time, it dilutes industry and our ability to support it. We have to have that capability.

I would hope we could take the resource we have and turn it into many areas of economic advancement.

Mr. Schroeder, you are probably more familiar with the operation of the Corporation than perhaps the other nominees since you were on the transition team.

When Mr. Noble was before us for confirmation, I asked for a legal opinion on the legality of the first solicitation in light of the rhubarb that had been raised in the House. The noise now has quieted down considerably but I am still waiting for a written response which was promised.

There are limits to the blame that can be placed on the postal service.

Do you believe there is any question as to the legality of the first solicitation?

Mr. SCHROEDER. Senator Ford, we have been advised by counsel that the first solicitation is not fatally flawed. It does need some amending. That amending is now going through draft form. I believe the staff of the Corporation has been in touch with your staff to tell them of the progress made.

I believe that Mr. Noble intends to offer these amendments to the Board of Directors early on and get an amended solicitation out.

Senator FORD. I appreciate your answer but we do not have anything for the record. We do not have anything for this committee to stand on. I think it is encumbent upon me and hopefully you will respond expeditiously to that letter of the legality of the solicitation.

Mr. SCHROEDER. We will, sir.

Senator FORD. The Corporation has asked for additional information from each of the 63 applicants. This questionnaire has no cutoff date as it relates to the time you have to respond.

On August 5, GAO recommended among other items to Mr. Noble "establish a target date for beginning the review of mature projects. This date should allow adequate time for project sponsors to complete their proposals without unduly delaying the project selection process.

Why is there no cutoff date in the Corporation questionnaire? Is it premised on followup information and when this is in, the project will be ready to go?

Mr. SCHROEDER. It was felt no authorization existed to dictate a cutoff date by the staff without a Board of Directors. Part of the amendment of the solicitation would include a cutoff.

Senator FORD. Does the amendment mean we have to start all over again?

Mr. SCHROEDER. No, sir. It simply clarifies.

Senator FORD. When all those are answered and submitted to the Board, basically that project is ready to go, is it not?

Mr. SCHROEDER. I am not certain I understand the question.

Senator FORD. In the questionnaire submitted to the 63 applicants, if they are able to answer all the questions, they are indicating that project and that proposal is in the posture of a go ahead, if you approve.

Mr. SCHROEDER. That is right.

Senator FORD. You are going to have some answers to a complete questionnaire returned to you within the next 30 days. How soon would a proposal like that be considered by the Board when you are confirmed to a go or no go?

Mr. SCHROEDER. It is my opinion it will be relatively close.

Senator FORD. How many responses do you expect from the questionnaires sent out?

Mr. SCHROEDER. We have made some guesses. It is the staff's opinion that we may get 20 to 30.

Senator FORD. Do you anticipate when the last one will be in?

Mr. SCHROEDER. Some of them will be long term in getting there. I liken this to putting together a ball game. Some of the people will make the team immediately and some will make the team later in the year or the next year and some will never make it.

Senator FORD. Senator Nickles made the point that he is opposed to synthetic fuels being funded by the Federal Government. If we dismantle or it is a no go, or we delay it to a point where the present teams are dismantled as it relates to a specific project, the delay is so long that we lose some teams, then we have lost a great deal. You will have to try to go out and find them and get them back together.

There are teams out there now that are put together that I think would meet the approval of the Board. I hope that those teams that are together will not be dismantled in the process.

What is your political affiliation?

Mr. SCHROEDER. I am an Independent.

Mr. WILKINS. Republican, Senator.

Mr. THOMPSON. Democrat.

Mr. MONKS. Republican.

Senator FORD. Thank you very much.

Does the Corporation anticipate a second solicitation?

Mr. SCHROEDER. Yes, sir.

The CHAIRMAN. If the Senator will yield, Mr. Noble has been nominated and confirmed as Chairman of the Board and he is a Republican.

Senator FORD. We have three Republicans, one Democrat and one Independent.

Senator JACKSON. Do you register as an Independent in your State?

Mr. SCHROEDER. No, sir.

Senator JACKSON. There is no party registration?

Mr. SCHROEDER. That is right. You can register as a Republican or as a Democrat.

Senator JACKSON. You are not registered as a Republican or as a Democrat?

Mr. SCHROEDER. That is right.

Senator JACKSON. You do not participate in the primary?

Mr. SCHROEDER. I do. You can participate on either side in the primary in Georgia.

Senator JACKSON. You have to stay within the ticket?

Mr. SCHROEDER. After you participate in the primary, yes, sir.

Senator FORD. I have learned to respect the seniority in the Senate.

In 1972 as Governor of Kentucky, I financed the first synthetic fuels operation in our State. We now have put in about $75 million State tax dollars and probably have the finest lab in the country as it relates to extracting various forms of energy from coal even including reclamation. We put approximately $9 million into that lab. We think we have some of the finest researchers in the country.

We are not asking the Federal Government percentagewise to do more than the State is doing. We think we understand the type of coal we have probably will be economically feasible as it relates to high gas process or liquefaction. We now have the only pilot project of its size in the world in Cattletsburg, Ky., in the H-process for liquefaction.

I am not one who comes here beating my chest for synthetic fuels. I think we have a proven record of where we are going.

We imposed a severence tax on coal at 4½ percent as part of the State general fund and that went into funding the project. We are now willing to commit $30 million front money for some projects. We have purchased land and built roads.

I want to make this work because I know the defense of this country is important and the economics of this country is important. I think it all rests within the synthetic fuels area.

Chairman Noble has indicated one criterion that you will be asked to approve in evaluating project applicants is whether the applicant has been refused credit elsewhere.

Do all of you support the application of such a criterion and how would such a rule work in the Synthetic Fuels Corporation?

Mr. MONKS. It is my impression that the mechanism for making that determination is spelled out in the statute. The statute requires the Board make such a determination. I think Chairman Noble was simply stating what the statute had in mind. The objective of the Congress is according to legislative history, to be sure this was not competitive with the private sector.

Mr. THOMPSON. I think we are bound by the statute. We cannot do anything but proceed along those lines.

Senator FORD. How do you feel about a commercial project versus a demonstration project? Would the Synthetic Fuels Corporation get into the field of financing a demonstration plant? Should it stay in the Department of Energy where it is now?

Mr. MONKS. The statute is very specific and it makes clear what our mandate is.

Senator FORD. I am talking about the module itself.

Mr. MONKS. It would appear as if that would be an alternative which we would turn to after having considered the possibility of achieving the statutory and congressional objectives, through the purchase guarantee, price guarantee, loan guarantee, direct loan, and joint-venture process.

Certainly there is great flexibility in the statute that would permit this to be done if the congressional objectives could not be achieved through the other methods.

Senator FORD. One of the projects Senator Nickles alluded to has a portion of the contract that says at the end of the completion of the demonstration period, the private partner or consortium will purchase from the Government that demonstration plant at its economic value and then the Federal Government shall receive a portion of the income from that plant until they receive two and a half times their investment.

It appears to me that the cooperation of Government and private industry only goes to a certain point in the area of which there is a question, DOE will make the judgment that the demonstration plant will work and beyond that, it is all private enterprise and the Government is reimbursed for the economic value of the plant plus the eventual income as a commercial operation until they receive two and a half times their investment.

It seems to be a good thing for the Government for the danger of loss of investment that it encounters. Private enterprise is taking a chance on it also by their investment of 80 percent of their profit over a period of time or their projected profit. They are laying it out pretty close on the line as it relates to their challenge and their confidence in the project.

I thank the Chairman. I appreciate your allowing me to take so much time.

The CHAIRMAN. Thank you very much, Senator Ford.

There are a number of questions that I wanted to ask, particularly of you, Mr. Schroeder. I am not ignoring the other three nominees but you have been involved more closely with the Corporation over a period of time, first as a member of the Presidential transition team and more recently as an employee of the Corporation.

These questions deal with limitations on, and powers of, the Corporation. I hope you other gentlemen will listen to the questions even though I do not anticipate that you are necessarily prepared to answer them at this time.

It is the opinion of this committee that under existing law, the Supplemental Appropriations Act of 1980, governing the transfer of projects from the Department of Energy to the Synthetic Fuels Corporation, that provision does not apply to projects funded under the Federal Nonnuclear Energy Research and Development Act such as the Great Plains coal gasification project.

In order to avoid any dispute or lack of clarity on that question, I have included in the Interior Appropriations bill for fiscal year 1982, going to the floor shortly, an amendment which expressly bars transfer of the Great Plains project to the Corporation.

I would hope I could have an assurance from you, Mr. Schroeder, in particular, that there is an understanding at the Corporation that is the situation.

Mr. SCHROEDER. That is understood. The first conclusion that you mentioned, that being the opinion of the committee, I was not aware of. The Department of Energy has asked us to help them prepare a monitoring plan for the Great Plains gasification project. I anticipate that information will come over from DOE this week. We have assigned some people to work on that to help DOE evolve a monitoring plan.

We understand your amendment. I have read it carefully.

The CHAIRMAN. With regard to the other two awards that were made pursuant to the Defense Production Act by the Department of Energy, do I have your assurance that should the Board decide in favor of the transfer of these projects to the Corporation, that every effort will be made to assure the early finalization of the awards to those two?

Mr. SCHROEDER. Yes, sir.

The CHAIRMAN. Are you generally aware of the amendments that were placed in the Act to closely restrict the Corporation's powers under the Energy Security Act exclusively to financial assistance?

Mr. SCHROEDER. Yes, sir.

The CHAIRMAN. There has been some thought by some that the Corporation could kind of become an independent Department of Energy with broad powers. There was a great deal of debate about that.

I notice Mr. Monks and Mr. Wilkins indicated you read the statute and you understand something of the debate that went on as to the authority the Corporation should exercise. The amendments to which I have referred are amendments I insisted upon both in the committee and in the conference with the other body.

Are you specifically aware of the provisions providing for Attorney General and Comptroller General lawsuits against the Corporation to enforce the act?

Mr. SCHROEDER. Yes, sir.

The CHAIRMAN. Are you also aware of the provisions regarding criminal as well as civil penalties against directors, officers, and employees of the Corporation for violation of the provisions of the act?

Mr. SCHROEDER. Yes, sir.

The CHAIRMAN. Are each of you other three gentlemen aware of that?

Mr. WILKINS. Yes, sir.

Mr. THOMPSON. Yes, sir.

Mr. MONKS. Yes, sir.

The CHAIRMAN. I think there was a determination on the part of the Congress that we were going to carefully limit what the Corporation could do. I assume you realize how serious we were. These statutory probations and penalties are rather severe and unusually stringent.

Mr. SCHROEDER. Yes, sir.

The CHAIRMAN. You may not have been aware of how important it was to the congressional deliberation that these provisions be included as a part of the compromise under which it was possible to get the legislation on the books.

On two occasions during the last year, prior to the appointment of Chairman Noble, the management of the Corporation attempted to enter into activities related to energy mobilization board type powers for which the Corporation does not have authority.

Can you insure this committee that activities of this type will not occur under this Board?

Mr. SCHROEDER. Yes, sir.

Mr. THOMPSON. Yes, sir.

Mr. MONKS. Yes, sir.

Mr. WILKINS. Yes, sir.

The CHAIRMAN. In the past year, there have been various requests to the Corporation for grant assistance for activities such as analysis of State regulatory programs and development of a western regional energy development plan. Funding of any such activities clearly would exceed the statutory authority.

Would you agree?

Mr. SCHROEDER. Yes, sir.

The CHAIRMAN. Do I have the assurance of each of you gentlemen that the Corporation will stay out of such activity?

Mr. THOMPSON. Yes, sir.

Mr. WILKINS. Yes, sir.

Mr. MONKS. Yes, sir.

The CHAIRMAN. Thank you. There is no question we want the Corporation to work closely with the States but we do not want the Corporation to act as another Department of Energy in that regard.

You were asked earlier with respect to the initial solicitation; I agree with Senator Ford in the way in which he asked the question. As far as myself, and to the best of my knowledge the other members of the committee, the initial solicitation was conducted consistent with the statute and with our intent.

I hope what you have suggested in asking for further information that we do not step over the bounds of necessity and open up the prospect of having to start all over again. I hope your supplemental solicitation is carefully crafted to be limited to the perfection of the solicitations which have already been received.

I hope the Board will turn its attention to that question because otherwise we could see avoiding of the entire original solicitation and a delay in the initiation of the entire program.

I take it you are prepared to move as fast as is reasonably possible to complete the initial solicitation and make awards.

Mr. SCHROEDER. We are.

The CHAIRMAN. For the record I am going to raise some issues, not that I want any specific comments or answers now but I do want you to be aware of these questions and concerns and aware that the committee will be in contact hopefully in a continuing dialog with the Corporation as you get cracking on the program, as Mr. Wilkins indicated.

Several congressional committees have been conducting a public review of the Synthetic Fuels Corporation. The Senate Committee on Energy and Natural Resources has been conducting its own oversight of the Corporation.

Over the last month this committee has conducted an indepth review of the current status of the Corporation and the policy and

administration issues to be faced by the new Board. I will mention six issue areas.

First, the staff proposed project selection criteria. Second, environmental, including socioeconomic, issues. Third, the organization of the Corporation. Fourth, establishment and employment of officers including the possibility of a new Chief Operating Officer. Fifth, salaries for officers which would require Presidential review. And, six, a number of administrative issues.

We will be continuing to be in contact with each of you in the weeks to come. I hope to be able to report from this committee to the Senate the confirmation of the President's selections. I see no reason why we cannot do that promptly, and I hope the President can then move promptly to declare the Corporation operational and you can go about doing your business.

Thank you, gentlemen, very much for your appearance here this morning. The committee is adjourned.

[Whereupon, at 12 p.m., the hearing was adjourned.]

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